

**County of Marquette, Michigan
Financial Statements
For the Year Ended
December 31, 2009**

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COUNTY OFFICIALS

2009 BOARD OF COUNTY COMMISSIONERS

Chairman and 4th District Commissioner
GERALD O. CORKIN

Vice-Chairperson and 2nd District Commissioner
HARVEY WALLACE

1st District Commissioner
JIM CIHAK

3rd District Commissioner
BRUCE HEIKKILA

5th District Commissioner
NICK JOSEPH

6th District Commissioner
PAUL ARSENAULT

7th District Commissioner
DEBORAH PELLOW

8th District Commissioner
BOB STRUCK

9th District Commissioner
CHARLES BERGDAHL

ELECTED OFFICIALS OF MARQUETTE COUNTY

County Clerk Connie M. Branam
County Treasurer Anne Giroux
Drain Commissioner Patrick Michael Farrell
Mine Inspector John E. Carlson
Prosecuting Attorney Gary L. Walker
Register of Deeds Patricia A. Manley
Sheriff Michael H. Lovelace

ELECTED JUDICIARY

Circuit Judges Thomas L. Solka
..... John R. Weber
District Judges Roger Kangas
..... Dennis H. Girard
Probate Judge Michael J. Anderegg



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners of the
County of Marquette, Michigan
234 West Baraga Avenue
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Marquette, Michigan, as of and for the year ended December 31, 2009, which collectively comprise the County of Marquette, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County of Marquette, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Marquette County Medical Care Facility, which represent 16 percent, 15 percent, and 65 percent, respectively, of the assets, net assets, and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Marquette County Medical Care Facility, is based on the report of the other auditors. We did not audit the financial statements of Marquette County Road Commission, which represent 95 percent, 98 percent, and 99 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Marquette County Road Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Marquette, Michigan, as of December 31, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Board of Commissioners of the
County of Marquette, Michigan

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2010, on our consideration of the County of Marquette, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Marquette, Michigan's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements (which is included in a separate report). The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors the information is fairly stated in all material respects in relation to the financial statements as a whole.

Anderson, Jackman & Co, PLLC

Certified Public Accountants

May 31, 2010

County of Marquette, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the County of Marquette's financial performance provides an overview of the County's financial activities for the year ended December 31, 2009. Please read it in conjunction with the financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$93,515,900 (net assets). Of this amount, \$23,057,913 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

Net assets for the County as a whole decreased by \$3,627,140. Net assets of our business-type activities increased by \$1,810,159, and net assets of our governmental activities decreased by \$5,437,299.

The County contribution for Other Post Employment Benefits (OPEB) is based on pay-as-you-go financing requirements. For the current year, contributions of \$1,999,510 did not equal the current year's annual required contribution (ARC). A liability of \$2,865,762 was recorded for the unfunded portion of the current year's ARC.

During the year, the County had expenses for governmental activities that were \$32,540,691, and expenses for business-type activities that were \$16,936,173.

The General Fund reported a net fund balance of \$3,414,218, an increase of \$285,539. At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was \$3,340,886, or 16.4% of total General Fund expenditures (including operating transfers).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 & 13) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the County as a Whole

Our analysis of the County as a whole begins on page 7. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in them. You can think of the County's net assets – the difference between assets and liabilities – as one way to

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's patron base and the condition of the County's capital assets, to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into three kinds of activities:

- Governmental activities – Most of the County's basic services are reported here, including the legislative, judicial, public safety, recreation and culture, and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- Business-type activities – The County charges a fee to customers to help it cover all or most of the cost of certain services it provides. The County's Medical Care Facility, Airport, K.I. Sawyer Water & Sewer, and Forest Recreation Funds are reported here.
- Component units – The County includes the Road Commission in its report. Although it is a legally separate entity, this "component unit" is important because the County is financially accountable for it.

Reporting the County's Most Significant Funds

Our analysis of the County's major funds begins on page 50. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The County's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental Funds* – Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary Funds* – When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the County's other programs and activities – such as the Delinquent Tax Revolving Funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The County as Trustee

The County is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the County's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 21. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The County as a Whole

Table I provides a summary of the County's net assets as of December 31, 2009.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$25,020,885	\$27,165,813	\$17,671,371	\$16,473,876	\$42,692,256	\$43,639,689
Capital Assets, net	3,999,478	4,006,844	63,975,187	63,313,327	67,974,665	67,320,171
Total Assets	29,020,363	31,172,657	81,646,558	79,787,203	110,666,921	110,959,860
Current Liabilities	11,219,749	10,818,259	801,352	801,939	12,021,688	11,620,198
Non-current Liabilities	4,328,490	1,444,975	801,430	751,647	5,129,920	2,196,622
Total Liabilities	15,548,239	12,263,234	1,602,782	1,553,586	17,151,021	13,816,820
Net Assets:						
Invested in capital assets, net of related debt	3,999,478	4,006,844	63,975,187	63,313,327	67,974,665	67,320,171
Designated	1,679,122	1,807,807	804,200	561,981	2,483,322	2,369,788
Unreserved	7,793,524	13,094,772	15,264,389	14,358,309	23,057,913	27,453,081
Total Net Assets	\$13,472,124	\$18,909,423	\$80,043,776	\$78,233,617	\$93,515,900	\$97,143,040

Net assets of the County's governmental activities stood at \$13,472,124. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$7,793,524. The \$7,793,524 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. For 2009, unrestricted net assets decreased by \$5,301,248.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The net assets of our business-type activities stood at \$80,043,776. The County can generally only use these net assets to finance continuing operations of the business-type activities.

The results of this year's operations for the County as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2009.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Charges for Services	\$4,206,665	\$4,252,050	\$16,505,172	\$15,329,009	\$20,711,837	\$19,581,059
Operating Grants and Contributions	5,702,990	6,027,317	157,794	156,355	5,860,784	6,183,672
Capital Grants and Contributions	-	29,097	1,343,151	1,596,722	1,343,151	1,625,819
General Revenues:						
Property taxes	15,370,400	14,822,887	-	-	15,370,400	14,822,887
State sources	-	-	-	-	-	-
Interest and Miscellaneous	2,507,677	2,895,883	55,875	239,409	2,563,552	3,135,292
Total Revenues	27,787,732	28,027,234	18,061,992	17,321,495	45,849,724	45,348,729
Program Expenses						
Legislative	274,263	250,002	-	-	274,263	250,002
Judicial	6,752,168	6,576,856	-	-	6,752,168	6,576,856
Elections	29,191	71,568	-	-	29,191	71,568
Management	2,347,942	1,215,926	-	-	2,347,942	1,215,926
Public Records	1,472,534	1,643,766	-	-	1,472,534	1,643,766
Public Safety	7,446,113	7,444,722	-	-	7,446,113	7,444,722
Human Services	4,467,871	5,029,828	-	-	4,467,871	5,029,828
Resource Mgmt	2,521,826	1,936,778	-	-	2,521,826	1,936,778
Other	7,228,783	4,281,418	-	-	7,228,783	4,281,418
Interest on Long Term Debt	-	-	-	-	-	-
Medical Care Facility	-	-	11,852,968	11,879,451	11,852,968	11,879,451
Airport	-	-	3,485,602	3,663,727	3,485,602	3,663,727
Forestry	-	-	168,781	167,036	168,781	167,036
Foreclosure	-	-	78,315	72,730	78,315	72,730
100% Tax Payment	-	-	2,623	3,259	2,623	3,259
Sewer	-	-	922,075	960,618	922,075	960,618
Water	-	-	425,809	412,802	425,809	412,802
Total Expenses	32,540,691	28,450,864	16,936,173	17,159,623	49,476,864	45,610,487
Excess (deficiency) before transfers	(4,752,959)	(423,630)	1,125,819	161,872	(3,627,140)	(261,758)
Transfers	(684,340)	(65,000)	684,340	65,000	-	-
Increase (decrease) in net assets	(5,437,299)	(488,630)	1,810,159	226,872	(3,627,140)	(261,758)
Net assets, Beginning	18,909,423	21,112,355	78,233,617	78,006,745	97,143,040	99,119,100
Prior Period Adjustment		(1,714,302)				(1,714,302)
Net assets, Ending	\$13,472,124	\$18,909,423	\$80,043,776	\$78,233,617	\$93,515,900	\$97,143,040

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The County’s total revenues were \$45,849,724. The total cost of all programs and services was \$49,476,864, resulting in a decrease in net assets of \$3,627,140. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The net assets of the County’s governmental activities decreased \$5,437,299 for the year ended December 31, 2009.

Expenses for the year ended December 31, 2009, increased \$4,089,827 from the previous year.

Table 3 presents the cost of each of the five largest programs - Public Safety, Human Services, Resource Management/Development, Judicial and Other - as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the County’s operation.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Public Safety	\$7,446,113	\$7,444,722	\$5,804,002	\$4,645,408
Judicial	6,752,168	6,576,856	2,896,334	3,671,287
Human Services	4,467,871	5,029,828	1,857,014	2,020,929
Resource Management/Development	2,521,826	1,936,778	1,953,321	1,241,445
Other	7,228,783	4,281,418	6,823,888	4,281,418

Business-type Activities

During the year ended December 31, 2009, the net assets of the County’s business-type activities increased by \$1,810,159. The primary reason for the increase in assets is the result of recognition of federally-funded airport capital projects.

Although the Medical Care Facility Fund reported operating income of \$418,535, non-operating revenues and intergovernmental transfers resulted in an increase in net assets of \$740,534.

The Airport Fund reported an operating income of \$303,542. This amount included recognition of \$1,454,176 in federally-funded airport improvements projects during this year. The Airport Fund recorded depreciation expenses of \$1,253,232.

The Sewer Fund reported an operating loss of \$190,052. This amount included depreciation expense of \$276,827.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Water Fund reported an operating loss of \$104,183. This amount included depreciation expense of \$134,414.

The Forest Recreation Fund reported an operating loss of \$49,513, non-operating revenues and intergovernmental transfers resulted in a decrease in net assets of \$32,987 for the year ended December 31, 2009.

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 14 reported a *combined* fund balance of \$12,454,395, a decrease of \$2,705,538 from the beginning of the year.

The net assets of the County's General Fund increased by \$285,539, and all other government funds decreased by \$2,991,077 as a result of standard governmental operations.

General Fund Budgetary Highlights

Over the course of the year, the County Commission revised the budget several times.

The amendments resulted in a net decrease to budgeted general fund expenses of \$898,933. Actual charges to expenditures were \$737,241 less than the final amended budget. Revenues were \$102,552 less than the final budget projection.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2009, the County had \$65,639,658 invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below).

Table 4
Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$355,233	\$355,233	\$15,270,486	\$15,270,486	\$15,625,719	\$15,638,219
Land Improvements	6,426	7,345	9,850,489	10,079,983	9,856,915	10,087,328
Buildings	2,642,770	2,497,266	34,840,936	34,792,657	37,483,706	37,289,923
Equipment	955,049	1,147,000	1,678,269	887,559	2,673,318	2,034,559
Construction in Progress	-	-	416,958	253,798	416,958	253,798
Utility Systems	-	-	1,918,049	2,028,844	1,918,049	2,028,844
	<u>\$3,999,478</u>	<u>\$4,006,844</u>	<u>\$63,975,187</u>	<u>\$63,313,327</u>	<u>\$67,974,665</u>	<u>\$67,320,171</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

At year end, the County had no outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the County's Budget for the year ending December 31, 2010, the economic health of Michigan was of concern. The deterioration of the state budget's revenue sources will result in less funding for local governments, including Marquette County. Marquette County's economy and tax base continue to perform better than the state average. The growth in taxable value absorbed the loss in state revenues for the 2010 budget. In 2011, the County's Revenue Sharing Reserve fund will be fully expended and will be under the state formula for revenue sharing. At the same time, Marquette County is facing state revenue reductions and operating expenditure pressures, our long-term obligations, primarily post-employment expenses and Sawyer Airport need to be addressed. Elected officials and department managers are participating in strategic planning sessions to help us plan for the challenges we are facing.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Administrator's Office at Marquette County Courthouse, Marquette, Michigan 49855.

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COUNTY OF MARQUETTE, MICHIGAN

STATEMENT OF NET ASSETS

December 31, 2009

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	
ASSETS				
Current Assets:				
Cash and equivalents	\$ 5,980,159	\$ 703,640	\$ 6,683,799	\$ 3,926,596
Cash and equivalents - restricted	-	3,874,948	3,874,948	-
Investments	10,537,102	8,279,151	18,816,253	-
Receivables (net)	8,335,835	4,557,558	12,893,393	3,349,384
Other current assets	167,789	256,074	423,863	1,882,106
TOTAL CURRENT ASSETS	25,020,885	17,671,371	42,692,256	9,158,086
Noncurrent assets:				
Capital Assets	3,999,478	63,975,187	67,974,665	56,988,428
Total Capital Assets	3,999,478	63,975,187	67,974,665	56,988,428
TOTAL NONCURRENT ASSETS	3,999,478	63,975,187	67,974,665	56,988,428
TOTAL ASSETS	29,020,363	81,646,558	110,666,921	66,146,514
LIABILITIES:				
Current Liabilities:				
Accounts payable	1,472,848	374,675	1,847,523	607,362
Accrued payroll and related	300,585	316,420	617,005	174,038
Deferred revenue	9,303,885	24,167	9,328,052	257,080
Current portion of compensated absences	142,431	-	142,431	-
Current portion of bonds payable	-	-	-	200,000
Current portion of notes and contracts payable	-	-	-	-
Other current liabilities	-	86,090	86,090	242,176
TOTAL CURRENT LIABILITIES	11,219,749	801,352	12,021,101	1,480,656
Noncurrent Liabilities:				
Compensated absences	1,462,728	801,430	2,264,158	507,587
Other post-employment benefits (OPEB)	2,865,762	-	2,865,762	-
Bonds payable	-	-	-	1,788,336
Long-term contracts and notes payable	-	-	-	-
Other	-	-	-	404,593
TOTAL NONCURRENT LIABILITIES	4,328,490	801,430	5,129,920	2,700,516
TOTAL LIABILITIES	15,548,239	1,602,782	17,151,021	4,181,172
NET ASSETS				
Invested in capital assets net of related debt	3,999,478	63,975,187	67,974,665	56,588,428
Designated	1,679,122	804,200	2,483,322	5,426,928
Unreserved	7,793,524	15,264,389	23,057,913	(50,014)
TOTAL NET ASSETS	\$ 13,472,124	\$ 80,043,776	\$ 93,515,900	\$ 61,965,342

The accompanying notes are an integral part of these financial statements.

COUNTY OF MARQUETTE, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2009

Function / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business Type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 274,263	\$ 33,420	\$ -	\$ -	\$ (240,843)	\$ -	\$ (240,843)	\$ -
Judicial	6,752,168	1,385,732	2,470,102	-	(2,896,334)	-	(2,896,334)	-
Elections	29,191	-	-	-	(29,191)	-	(29,191)	-
Management	2,347,942	-	-	-	(2,347,942)	-	(2,347,942)	-
Public records	1,472,534	754,501	39,532	-	(678,501)	-	(678,501)	-
Public Safety	7,446,113	876,954	765,157	-	(5,804,002)	-	(5,804,002)	-
Human services	4,467,871	587,553	2,023,304	-	(1,857,014)	-	(1,857,014)	-
Resource management/ Development	2,521,826	568,505	-	-	(1,953,321)	-	(1,953,321)	-
Other	7,228,783	-	404,895	-	(6,823,888)	-	(6,823,888)	-
Total Governmental Activities	32,540,691	4,206,665	5,702,990	-	(22,631,036)	-	(22,631,036)	-
Business Type Activities:								
Medical Care Facility	11,852,968	12,271,503	-	-	-	418,535	418,535	-
Airport	3,485,602	2,294,789	151,204	1,343,151	-	303,542	303,542	-
Forestry	168,781	112,678	6,590	-	-	(49,513)	(49,513)	-
Foreclosure	78,315	151,799	-	-	-	73,484	73,484	-
100 % Tax Payment Funds	2,623	620,754	-	-	-	618,131	618,131	-
Sewer Fund	922,075	732,023	-	-	-	(190,052)	(190,052)	-
Water Fund	425,809	321,626	-	-	-	(104,183)	(104,183)	-
Total Business Type Activities	16,936,173	16,505,172	157,794	1,343,151	-	1,069,944	1,069,944	-
TOTAL PRIMARY GOVERNMENT	\$ 49,476,864	\$ 20,711,837	\$ 5,860,784	\$ 1,343,151	(22,631,036)	1,069,944	(21,561,092)	-
Component Units:								
County Road Department	\$ 8,807,730	\$ 2,741,941	\$ 5,414,973	\$ 5,111,935	-	-	-	4,461,119
EDC Fund	80,245	27,174	-	-	-	-	-	(53,071)
DPW Debt Funds	78,751	57,875	-	-	-	-	-	(20,876)
Raney Creek Maintenance Fund	-	-	-	-	-	-	-	-
TOTAL COMPONENT UNITS	\$ 8,966,726	\$ 2,826,990	\$ 5,414,973	\$ 5,111,935	-	-	-	4,387,172
General Revenues:								
Taxes					15,370,400	-	15,370,400	-
Unrestricted State sources					-	-	-	-
Interest and investment earnings					453,111	55,875	508,986	71,492
Miscellaneous					2,054,566	-	2,054,566	125,819
Transfers					(684,340)	684,340	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					17,193,737	740,215	17,933,952	197,311
CHANGE IN NET ASSETS					(5,437,299)	1,810,159	(3,627,140)	4,584,483
Net assets, beginning of year					18,909,423	78,233,617	97,143,040	56,440,415
Prior Period Adjustment					-	-	-	940,444
NET ASSETS, END OF YEAR					\$ 13,472,124	\$ 80,043,776	\$ 93,515,900	\$ 61,965,342

The accompanying notes are an integral part of these financial statements.

COUNTY OF MARQUETTE, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

December 31, 2009

	<u>General Fund</u>	<u>Health Department Fund</u>	<u>Community Development Fund</u>	<u>Maintenance of Effort Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and investments	\$ 5,898,979	\$ 68,415	\$ -	\$ 2,382,989	\$ 7,091,664	\$ 15,442,047
Receivables	287,064	-	257,203	-	1,968,969	2,513,236
Taxes receivable	1,301,178	-	-	855,445	-	2,156,623
Due from State	-	121,946	-	-	341,686	463,632
Due from others	118,711	86,899	-	-	-	205,610
Loans receivable	-	-	2,592,744	-	402,071	2,994,815
Other assets	97,398	45,239	-	-	3,203	145,840
TOTAL ASSETS	\$ 7,703,330	\$ 322,499	\$ 2,849,947	\$ 3,238,434	\$ 9,807,593	\$ 23,921,803
LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Cash overdraft	\$ -	\$ -	\$ 192,640	\$ -	\$ 71,036	\$ 263,676
Accounts payable	245,327	138,077	30	39,230	350,230	772,894
Due to State	-	-	-	24,127	-	24,127
Due to others	-	-	-	-	659,808	659,808
Due to other funds	-	-	-	-	-	-
Accrued payroll and related	217,222	60,135	-	-	23,228	300,585
Accrued sick and vacation	102,750	20,000	-	-	19,681	142,431
Deferred revenue	3,723,813	-	2,592,744	983,921	2,003,409	9,303,887
TOTAL LIABILITIES	4,289,112	218,212	2,785,414	1,047,278	3,127,392	11,467,408
FUND BALANCE:						
Designated for:						
Capital Outlay	-	-	-	-	576,599	576,599
Other	73,332	-	-	-	873,191	946,523
Unreserved, reported in:						
General Fund	3,340,886	-	-	-	-	3,340,886
Special Revenue Funds	-	104,287	64,533	2,191,156	5,230,411	7,590,387
TOTAL FUND BALANCE	3,414,218	104,287	64,533	2,191,156	6,680,201	12,454,395
TOTAL LIABILITIES AND FUND BALANCE	\$ 7,703,330	\$ 322,499	\$ 2,849,947	\$ 3,238,434	\$ 9,807,593	\$ 23,921,803

The accompanying notes are an integral part of these financial statements.

COUNTY OF MARQUETTE, MICHIGAN

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

December 31, 2009

Total Fund Balances for Governmental Funds		\$ 12,454,395
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		3,337,420
Internal service funds are used by management to administer the activities of the Delinquent Tax Revolving Funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets, net of capital assets.		2,008,799
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Other post-employment benefits (OPEB)	\$ 2,865,762	
Compensated absences	<u>1,462,728</u>	
		(4,328,490)
		<hr/>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 13,472,124</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF MARQUETTE, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2009

	General Fund	Health Department Fund	Community Development Fund	Maintenance of Effort Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes and Penalties	\$ 12,571,026	\$ -	\$ -	920,639	\$ 1,878,735	\$ 15,370,400
Licenses and permits	493,442	-	-	-	-	493,442
Federal sources	227,772	-	-	-	750,308	978,080
State sources	988,107	1,784,465	404,895	-	1,547,443	4,724,910
Charges for services	3,023,502	587,553	-	-	102,164	3,713,219
Interest earned	330,799	-	385	14,846	107,081	453,111
Other	1,113,079	730,070	57,648	-	153,773	2,054,570
TOTAL REVENUES	18,747,727	3,102,088	462,928	935,485	4,539,504	27,787,732
EXPENDITURES:						
Current operations:						
Legislative	274,263	-	-	-	-	274,263
Judicial	3,177,378	-	-	-	3,567,139	6,744,517
Elections	29,191	-	-	-	-	29,191
Management	1,300,932	-	-	-	900,000	2,200,932
Public Records	1,376,220	-	-	-	96,314	1,472,534
Public Safety	6,094,915	-	-	-	1,585,543	7,680,458
Human Services	118,378	3,199,843	-	257,786	874,735	4,450,742
Resource Management and Development	1,965,011	-	-	-	548,681	2,513,692
Other	3,953,629	-	477,068	-	11,904	4,442,601
TOTAL EXPENDITURES	18,289,917	3,199,843	477,068	257,786	7,584,316	29,808,930
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	457,810	(97,755)	(14,140)	677,699	(3,044,812)	(2,021,198)
OTHER FINANCING SOURCES (USES):						
Transfers in	1,862,159	184,227	-	-	1,858,251	3,904,637
Transfers out	(2,034,430)	(8,048)	-	(300,000)	(2,246,499)	(4,588,977)
TOTAL OTHER FINANCING SOURCES (USES)	(172,271)	176,179	-	(300,000)	(388,248)	(684,340)
CHANGE IN FUND BALANCE	285,539	78,424	(14,140)	377,699	(3,433,060)	(2,705,538)
Fund balance, beginning of year	3,128,679	25,863	78,673	1,813,457	10,113,261	15,159,933
FUND BALANCE, END OF YEAR	\$ 3,414,218	\$ 104,287	\$ 64,533	\$ 2,191,156	\$ 6,680,201	\$ 12,454,395

The accompanying notes are an integral part of these financial statements.

COUNTY OF MARQUETTE, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2009

Net Change in Fund Balances - Total Governmental Funds \$ (2,705,538)

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 608,917	
Depreciation expense	(520,297)	
Gain (loss) on disposals	<u>(42,621)</u>	
		45,999

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (17,753)

Some expenses reported in the statement of activities, such as other post-employment benefits (OPEB), do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (2,865,762)

Internal service funds are used by management to administer the activities of the Delinquent Tax Revolving Funds. The net revenue of the internal service funds are included in governmental activities in the statement of net assets. 105,755

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ (5,437,299)
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The accompanying notes are an integral part of these financial statements.

COUNTY OF MARQUETTE, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

December 31, 2009

	Business - Type Activities: Enterprise Funds							Total	Governmental Activities Internal Service Funds
	Medical Care Facility Operating Fund	Airport Fund	Forestry Funds	Foreclosure Funds	100% tax Payment Funds	Sewer Funds	Water Fund		
ASSETS									
Current Assets:									
Cash and equivalents	\$ 3,374,497	\$ 948,733	\$ 719,905	\$ 437,015	\$ 3,114,636	\$ 300,267	\$ 87,738	\$ 8,982,791	\$ 1,338,890
Cash and equivalents-restricted	3,874,948	-	-	-	-	-	-	3,874,948	-
Accounts receivable, net	1,707,875	103,676	-	-	2,593,457	101,240	51,310	4,557,558	1,920
Other assets	239,057	17,017	-	-	-	-	-	256,074	21,949
TOTAL CURRENT ASSETS	9,196,377	1,069,426	719,905	437,015	5,708,093	401,507	139,048	17,671,371	1,362,759
Noncurrent Assets:									
Capital assets, net of accumulated depreciation	4,250,875	41,158,042	10,588,969	-	-	3,977,368	3,999,933	63,975,187	662,058
TOTAL NONCURRENT ASSETS	4,250,875	41,158,042	10,588,969	-	-	3,977,368	3,999,933	63,975,187	662,058
TOTAL ASSETS	13,447,252	42,227,468	11,308,874	437,015	5,708,093	4,378,875	4,138,981	81,646,558	2,024,817
LIABILITIES									
Current Liabilities:									
Accounts payable	200,175	91,430	5,696	14	27,032	32,844	17,484	374,675	16,018
Accrued payroll and related liabilities	281,206	26,650	-	-	-	5,759	2,805	316,420	-
Deferred revenue	-	24,167	-	-	-	-	-	24,167	-
Other liabilities	8,228	20,162	-	-	-	28,850	28,850	86,090	-
TOTAL CURRENT LIABILITIES	489,609	162,409	5,696	14	27,032	67,453	49,139	801,352	16,018
Noncurrent Liabilities:									
Compensated absences	606,759	147,784	-	-	-	30,477	16,410	801,430	-
TOTAL NONCURRENT LIABILITIES	606,759	147,784	-	-	-	30,477	16,410	801,430	-
TOTAL LIABILITIES	1,096,368	310,193	5,696	14	27,032	97,930	65,549	1,602,782	16,018
NET ASSETS									
Invested in capital assets net of related debt	4,250,875	41,158,042	10,588,969	-	-	3,977,368	3,999,933	63,975,187	662,058
Designated	-	719,787	84,413	-	-	-	-	804,200	156,000
Unreserved	8,100,009	39,446	629,796	437,001	5,681,061	303,578	73,498	15,264,389	1,190,741
TOTAL NET ASSETS	\$ 12,350,884	\$ 41,917,275	\$ 11,303,178	\$ 437,001	\$ 5,681,061	\$ 4,280,946	\$ 4,073,431	\$ 80,043,776	\$ 2,008,799

The accompanying notes are an integral part of the financial statements.

COUNTY OF MARQUETTE, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2009

	Business - Type Activities: Enterprise Funds							Total	Governmental
	Medical Care Facility Operating Fund	Airport Fund	Forestry Fund	Foreclosure Fund	100% Tax Payment Fund	Sewer Fund	Water Fund		Internal Service Funds
OPERATING REVENUES:									
Federal sources	\$ -	\$ 1,454,176	\$ 4,200	\$ -	\$ -	\$ -	\$ -	\$ 1,458,376	\$ -
State sources	-	40,179	2,390	-	-	-	-	42,569	737,390
Charges for services (net)	10,539,410	656,430	112,428	151,799	-	611,192	310,522	12,381,781	566,894
Penalties and interest on taxes	-	-	-	-	620,754	-	-	620,754	-
Other	1,732,093	1,638,359	250	-	-	120,831	11,104	3,502,637	128,847
TOTAL OPERATING REVENUES	12,271,503	3,789,144	119,268	151,799	620,754	732,023	321,626	18,006,117	1,433,131
OPERATING EXPENSES:									
Operating expenses	11,504,193	2,232,370	152,102	78,315	2,623	645,248	291,395	14,906,246	1,204,439
Depreciation	348,775	1,253,232	16,679	-	-	276,827	134,414	2,029,927	127,835
TOTAL OPERATING EXPENSES	11,852,968	3,485,602	168,781	78,315	2,623	922,075	425,809	16,936,173	1,332,274
OPERATING INCOME (LOSS)	418,535	303,542	(49,513)	73,484	618,131	(190,052)	(104,183)	1,069,944	100,857
NON-OPERATING REVENUES (EXPENSES):									
Interest income	21,999	2,447	4,336	2,509	22,890	1,274	420	55,875	4,898
NON-OPERATING REVENUES (EXPENSES)	21,999	2,447	4,336	2,509	22,890	1,274	420	55,875	4,898
INCOME (LOSS) BEFORE TRANSFERS	440,534	305,989	(45,177)	75,993	641,021	(188,778)	(103,763)	1,125,819	105,755
Transfers in	300,000	957,150	12,190	-	43,000	-	-	1,312,340	-
Transfers out	-	-	-	-	(585,000)	(21,500)	(21,500)	(628,000)	-
CHANGE IN NET ASSETS	740,534	1,263,139	(32,987)	75,993	99,021	(210,278)	(125,263)	1,810,159	105,755
Net assets, beginning of year	11,610,350	40,654,136	11,336,165	361,008	5,582,040	4,491,224	4,198,694	78,233,617	1,903,044
NET ASSETS, END OF YEAR	\$ 12,350,884	\$ 41,917,275	\$ 11,303,178	\$ 437,001	\$ 5,681,061	\$ 4,280,946	\$ 4,073,431	\$ 80,043,776	\$ 2,008,799

The accompanying notes are an integral part of these financial statements.

COUNTY OF MARQUETTE, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2009

	Business -Type Activities: Enterprise Funds						Total	Governmental	
	Medical Care Facility Operating Fund	Airport Fund	Forestry Fund	Foreclosure Fund	100% Tax Payment Funds	Sewer Fund		Water Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:									
Cash received from delinquent taxes	\$ -	\$ -	\$ -	\$ -	\$ (163,838)	\$ -	\$ -	\$ (163,838)	\$ -
Cash received Federal sources	-	1,454,176	4,200	-	-	-	-	1,458,376	-
Cash received State sources	-	40,179	2,390	-	-	-	-	42,569	737,390
Cash received from fees and charges for services	9,998,422	670,025	180,828	151,799	-	586,407	299,833	11,887,314	566,894
Other revenue	1,768,738	1,646,143	250	-	-	130,948	11,104	3,557,183	128,847
Cash payments to employees for services	(10,646,344)	(1,165,004)	(93,354)	-	-	(284,914)	(170,671)	(12,369,287)	(18,652)
Other operating expenses	(825,238)	(1,030,798)	(65,739)	(82,328)	24,409	(359,574)	(110,217)	(2,449,485)	(1,282,402)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>295,578</u>	<u>1,614,721</u>	<u>28,575</u>	<u>69,471</u>	<u>(139,429)</u>	<u>72,867</u>	<u>30,049</u>	<u>1,971,832</u>	<u>132,177</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:									
Cash from (withdrawal from) patient trust	(333)	-	-	-	-	-	-	(333)	-
Transfers in (out)	300,000	957,150	12,190	-	(542,000)	(21,500)	(21,500)	684,340	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>299,667</u>	<u>957,150</u>	<u>12,190</u>	<u>-</u>	<u>(542,000)</u>	<u>(21,500)</u>	<u>(21,500)</u>	<u>684,007</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Cash payments for capital assets	(240,177)	(2,434,710)	-	-	-	-	(16,900)	(2,691,787)	(74,470)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(240,177)</u>	<u>(2,434,710)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,900)</u>	<u>(2,691,787)</u>	<u>(74,470)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:									
Interest income	21,999	2,447	4,336	2,509	22,890	1,274	420	55,875	4,898
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>21,999</u>	<u>2,447</u>	<u>4,336</u>	<u>2,509</u>	<u>22,890</u>	<u>1,274</u>	<u>420</u>	<u>55,875</u>	<u>4,898</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>377,067</u>	<u>139,608</u>	<u>45,101</u>	<u>71,980</u>	<u>(658,539)</u>	<u>52,641</u>	<u>(7,931)</u>	<u>19,927</u>	<u>62,605</u>
Cash and cash equivalents, beginning of year	6,872,378	809,125	674,804	365,035	3,773,175	247,626	95,669	12,837,812	1,276,285
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,249,445</u>	<u>\$ 948,733</u>	<u>\$ 719,905</u>	<u>\$ 437,015</u>	<u>\$ 3,114,636</u>	<u>\$ 300,267</u>	<u>\$ 87,738</u>	<u>\$ 12,857,739</u>	<u>\$ 1,338,890</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:									
Operating income (loss)	\$ 418,535	\$ 303,542	\$ (49,513)	\$ 73,484	\$ 618,131	\$ (190,052)	\$ (104,183)	\$ 1,069,944	\$ 100,857
Adjustments to reconcile operating income to net cash provided by operating activities:									
Depreciation	348,775	1,253,232	16,679	-	-	276,827	134,414	2,029,927	127,835
Bad debt	55,367	-	-	-	-	-	-	55,367	-
Loss on disposal of fixed assets	-	-	-	-	-	-	-	-	-
Change in assets and liabilities:									
(Increase) decrease in accounts receivable	(596,355)	13,595	68,400	-	(784,592)	(14,668)	(10,689)	(1,324,309)	-
(Increase) decrease in other assets	81,494	7,784	596	-	-	1,020	480	91,374	12,541
Increase (decrease) in accounts payable	(40,368)	24,694	13	(4,013)	27,032	948	10,256	18,562	(109,056)
Increase (decrease) in accrued payroll and related liabilities	28,130	(13,620)	-	-	-	(4,558)	(3,579)	(3,860)	-
Increase (decrease) in other liabilities	-	25,494	(7,600)	-	-	3,350	3,350	24,594	-
NET ADJUSTMENTS	<u>(122,957)</u>	<u>1,311,179</u>	<u>78,088</u>	<u>(4,013)</u>	<u>(757,560)</u>	<u>262,919</u>	<u>134,232</u>	<u>891,655</u>	<u>31,320</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 295,578</u>	<u>\$ 1,614,721</u>	<u>\$ 28,575</u>	<u>\$ 69,471</u>	<u>\$ (139,429)</u>	<u>\$ 72,867</u>	<u>\$ 30,049</u>	<u>\$ 1,971,832</u>	<u>\$ 132,177</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF MARQUETTE, MICHIGAN
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
December 31, 2009

		Agency Funds
ASSETS		
Cash and equivalents	\$	1,274,995
Due from other funds		-
TOTAL ASSETS	\$	1,274,995
 LIABILITIES:		
Due to others	\$	1,274,995
TOTAL LIABILITIES	\$	1,274,995

The accompanying notes are an integral part of these financial statements.

COUNTY OF MARQUETTE, MICHIGAN

COMPONENT UNITS

STATEMENT OF NET ASSETS

December 31, 2009

	County Road Department	EDC Fund	DPW Debt Funds	Raney Creek Maintenance	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 3,098,008	\$ 786,073	\$ -	\$ 58,078	\$ 3,942,159
Receivables, net	1,732,839	477,550	1,138,995	-	3,349,384
Inventory	1,013,412	-	-	-	1,013,412
Prepaid expenses and other assets	144,450	724,244	-	-	868,694
TOTAL CURRENT ASSETS	5,988,709	1,987,867	1,138,995	58,078	9,173,649
Noncurrent Assets:					
Capital assets, net of accumulated depreciation	56,988,428	-	-	-	56,988,428
TOTAL NONCURRENT ASSETS	56,988,428	-	-	-	56,988,428
TOTAL ASSETS	62,977,137	1,987,867	1,138,995	58,078	66,162,077
LIABILITIES					
Current Liabilities:					
Cash Overdraft	-	-	15,563	-	15,563
Accounts payable	508,034	41,250	-	58,078	607,362
Accrued payroll and related	174,038	-	-	-	174,038
Deferred revenue	250,000	7,080	-	-	257,080
Current portion of bonds payable	200,000	-	-	-	200,000
Other current liabilities	-	242,176	-	-	242,176
TOTAL CURRENT LIABILITIES	1,132,072	290,506	15,563	58,078	1,496,219
Noncurrent Liabilities:					
Compensated absences	507,587	-	-	-	507,587
Bonds payable	200,000	468,336	1,120,000	-	1,788,336
Other	404,593	-	-	-	404,593
TOTAL NONCURRENT LIABILITIES	1,112,180	468,336	1,120,000	-	2,700,516
TOTAL LIABILITIES	2,244,252	758,842	1,135,563	58,078	4,196,735
NET ASSETS					
Invested in capital assets net of related debt	56,588,428	-	-	-	56,588,428
Restricted	4,144,457	1,282,471	-	-	5,426,928
Unreserved	-	(53,446)	3,432	-	(50,014)
TOTAL NET ASSETS	\$ 60,732,885	\$ 1,229,025	\$ 3,432	\$ -	\$ 61,965,342

The accompanying notes are an integral part of these financial statements.

COUNTY OF MARQUETTE, MICHIGAN

COMPONENT UNITS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2009

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	County Road Department	EDC Fund	DPW Debt	Raney Creek Maintenance	Total
County Road Operations	\$ 8,807,730	\$ 2,741,941	\$ 5,414,973	\$ 5,111,935	\$ 4,461,119	\$ -	\$ -	\$ -	\$ 4,461,119
EDC Operations	80,245	27,174	-	-	-	(53,071)	-	-	(53,071)
DPW Debt Operations	78,751	57,875	-	-	-	-	(20,876)	-	(20,876)
Raney Creek Maintenance Operations	-	-	-	-	-	-	-	-	-
TOTAL COMPONENT UNITS	\$ 8,966,726	\$ 2,826,990	\$ 5,414,973	\$ 5,111,935	4,461,119	(53,071)	(20,876)	-	4,387,172
General Revenues:									
		Interest and investment earnings			47,826	23,666	-	-	71,492
		Miscellaneous			116,425	9,394	-	-	125,819
		TOTAL GENERAL REVENUES			164,251	33,060	-	-	197,311
		CHANGE IN NET ASSETS			4,625,370	(20,011)	(20,876)	-	4,584,483
		Net assets, beginning of year			55,188,514	1,227,593	24,308	-	56,440,415
		Prior Period Adjustment			919,001	21,443	-	-	940,444
		NET ASSETS, END OF YEAR			\$ 60,732,885	\$ 1,229,025	\$ 3,432	\$ -	\$ 61,965,342

The accompanying notes are an integral part of these financial statements.

COUNTY OF MARQUETTE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Marquette was organized in 1848 under the provisions of the Michigan Constitution. The County operates under a Commission/Administrator form of government and provides services in the following functional areas: legislative, courts, public records, management, human services, resource management and development, law enforcement, and community maintenance.

The financial statements of the County have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the County are described below.

REPORTING ENTITY

The County's financial statements present the County (the primary government) and its component units. In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the County may or may not be financially accountable and, as such, be includable within the County's financial statements. The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationship with the County.

Blended Component Units

The Marquette County Health Department (MCHD) is governed by a seven-member board appointed by the County Board. It provides limited health services to the residents of Marquette County. The County of Marquette provides an annual subsidy to the MCHD.

The Marquette County Department of Human Services (DHS) is governed by a three-member board appointed by the County Board. Although the employees are employed by the State of Michigan, and the State pays for many of the programs, the entity is considered part of the primary government. The reasons for this presentation are that the County Board appoints the DHS Board, and State law makes it a county organization.

The Marquette County Medical Care Facility (MCF) is also governed by the three-member DHS Board appointed by the County Board. Although it is a distinct entity from the county, the MCF is reported as if it were part of the primary government because its sole purpose is to provide skilled nursing services to residents of the County of Marquette.

The Marquette County Building Authority is governed by a three-member board appointed by the County Board. Although it is legally separate from the county, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct Marquette County public buildings.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Discretely Presented Component Units

The component units columns in the combined financial statements include the financial data of the County's other component units. They are reported in a separate column to emphasize that they are legally separate from the County.

The Marquette County Road Commission (MCRC) is governed by a three-member board appointed by the County Board. The MCRC may not issue debt or levy a tax without the approval of the County Board. If approval is granted, the Road Commission's taxes are levied under the taxing authority of the County, as approved by the County Board, and would be included as part of the County's total tax levy as well as reported in the County Road Fund. The MCRC is supported primarily by payments from other local units of government for local maintenance and construction of roads. Funding sources include State of Michigan Motor Vehicle Highway Funds and Federal Aid Secondary Funds. The County of Marquette does not always provide an annual subsidy to the MCRC. The Marquette County Road Commission has a fiscal year ending September 30, 2009. Accordingly, the component unit financial statement information included in this report reflects activity as of September 30, 2009.

The County Drain Commission pursuant to the Drain Code of 1956, the Drain Commissioner has the responsibility to administer the State Drain Code. The Marquette County Drain Commissioner is elected and is responsible for planning, developing, and maintaining water drainage systems within the County. Each of the drainage districts established is a separate legal entity, with the power to contract, to sue and be sued, to hold, manage, and dispose of real and personal property. The Drain Commissioner has sole responsibility to administer the drainage district established. The Drain Commissioner may issue debt or levy a special assessment as authorized by the Drain Code without the approval of the County Board of Commissioners. Separate financial statements for the County Drain Commission are not published.

The Economic Development Corporation (EDC) of the County of Marquette, which was established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a nine-member Board of Directors appointed by the County Board. The EDC provides assistance to new and expanding small to medium sized businesses within Marquette County, primarily for job retention and creation purposes. The County of Marquette provides an annual subsidy to the EDC.

Complete financial statements of the individual component units, except for the Drain Commission, Building Authority, Department of Public Works, Department of Human Services, Health Department and the Economic Development Corporation, which do not issue separate financial statements, can be obtained from the Administrator's office at the Courthouse or at the respective administrative offices as noted below:

Marquette County Medical Care Facility
200 W. Saginaw
P.O. Box 309
Ishpeming, MI 49849

Marquette County Road Commission
1610 North Second Street
P.O. Box 10
Ishpeming, MI 49849

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Joint Ventures

As defined in GASB #14, a joint venture is a legal entity or other organization that results from a contractual arrangement (or inter-local agreement) and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain: (a) an ongoing financial interest; or (b) an ongoing financial responsibility. The County participates in the following joint ventures:

Community Mental Health Services (Pathways) Board consists of members of the participating counties as appointed by the respective counties. As enumerated in the Footnotes, Pathways is not being accounted for in the financial statements of the County.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The County's legislative, judicial, public safety, recreation and culture and general services and administration are classified as governmental activities. The County's Medical Care Facility, Airport, Water, Sewer, DTRF Tax, Foreclosure, and Forestry Funds are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities. For the most part, the effect of inter-fund activities has been removed from these statements.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets,

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the County:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the County:

General Fund – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the County:

Enterprise Funds – Enterprise Funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds – Internal Service Funds are used to finance, administer, and account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit or to other governmental units on a cost reimbursement basis.

Component Units:

Component units are used to account for the discretely presented component units which follow proprietary fund accounting guidelines.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Health Department** provides limited health services to the residents of the County.

The **Community Development Fund** applies for, receives, and disburses funds from MSHDA (Michigan State Housing Development Authority) to rehabilitate private single-family dwellings, provide emergency assistance and home purchase/rehabilitation.

The **Revenue Sharing Reserve Fund** was established by Public Act 357 to account for the gradual shift in county property tax millage as a substitute for county revenue sharing payments.

The **Airport Stabilization Fund** maintains a reserve to assist airport operations.

The County reports the following major proprietary funds:

The **Medical Care Facility** provides skilled nursing services to residents of the County.

The County's **Internal Service Funds** are presented in the proprietary funds financial statements. Because the principal users of the internal services are the County's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the general services and administration functional activity.

The County's **Fiduciary Funds** are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.), and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which the payment is due. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the annually adopted budget calendar, and generally around August 15, the County Administrator submits to the County Board of Commissioners proposed operating and capital budgets for the fiscal year commencing the following January 1. Proposed budgets include projected expenditures and the means of financing them.
2. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings.
3. Pursuant to statute, on the second Tuesday of October of each year, the budget for the ensuing year is legally enacted through the adoption of an Annual General Appropriations Act.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. The general statute governing County budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Marquette County Board of Commissioners, through policy action, specifically directs the Administrator not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognizes that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violation of the Annual General Appropriations Act.
5. The Marquette County Administrator is authorized by means of County policy to make certain transfers:
 - a. The Administrator receives a request for a budget transfer in writing from a department administrator. Such request must specify the necessity for the transfer, as well as the account name and/or group(s) of accounts to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Commissioners.
 - b. The following considerations must be reviewed in determination of transfer approvals:
 - i. Is the transfer consistent with the intent of the Board of Commissioners in adopting the annual budget?
 - ii. Will the transfer maintain the financial integrity of the County?
 - iii. Will the transfer provide a reasonable solution to the budgetary unit-operating problem?
 - c. Considering the above, the Administrator will then decide whether or not the transfer should be made.
 - d. In authorizing such budget transfers, the Administrator may not exceed 10 percent of the aggregate total of all accounts within the budgetary unit budget. The budgetary unit wishing budgetary changes in excess of 10 percent in any budget year must apply, through the Administrator, to the County Board of Commissioners for a budget amendment.
 - e. Supplemental appropriations are submitted to and reviewed by the County Administrator and submitted to the Committee of the Whole for further consideration. If approved, they are transmitted to the County Board of Commissioners for their review and approval. If approved, they are implemented by the Administrator's Office through a budget revision.
 - f. Provisions of the current policy empower the Administrator to authorize certain transfers in the personnel services account group. In no instance does current policy permit the Administrator to authorize transfers in the operating capital outlay account group. An account group is defined as one of four groups of account numbers and titles as set out in the adopted annual budget of the Marquette County Board of Commissioners, i.e., personnel services, supplies, other charges and services, and operating outlay.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. The County of Marquette adopts its Annual Budget on a program basis. Each program is defined within the formal budget structure and glossary of terms adopted by Board action. The program budget structure consists of five levels of detail as follows: Resource Allocation; Major Functioning Group; Department; Program; Activity.
 - a. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Commissioners, i.e., department, program or activity level. A detailed line item breakdown is prepared for each program. Accounting controls are maintained at the line item detail level.
7. Budgets for the General, Special Revenue, Enterprise and Capital Project Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts, in the Financial Report, are as originally adopted or amended by the County Board of Commissioners.
8. General Fund budgeted appropriations to other County departments/budgetary units unexpended at the end of the current fiscal operating year are returned to the County General Fund in the subsequent year after completion of the County's annual audit. The return of unexpended General Fund appropriations are reported as residual equity transfers in the 2009 Financial Report.

Encumbrances – The County has adopted the encumbrance method of accounting on a monthly basis. Under the encumbrance method, requisitioned expenditures are recorded as expenditures in the monthly reports. This reserves available resources for expenditures committed in which items or invoices have not yet been received. The County records material encumbrances as a reservation of fund balance at year-end since they do not constitute expenditures or liabilities.

Cash Equivalents and Investments – The purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Inventory – Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Special Revenue and Enterprise Funds consists of expendable supplies and materials held for consumption. Inventory is charged to operations upon consumption by the various operating funds within the County.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (i.e., streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land Improvements	20	years
Building, Structures and Improvements	40	years
Equipment	5-20	years
Water and Sewage System	20	years
Vehicles	5	years
Infrastructure	20-50	years

Long-Term Liabilities – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes attach as an enforceable lien of property as of December 1 and payable by February 28. Taxes receivable are recorded when levied, as the legal right to receive exists. However, such revenues are not normally received until after the 60-day period following the fiscal year. Accordingly, deferred revenue is being recognized for such amounts.

Compensated Absences – The County accrues accumulated unpaid vacation and sick leave days and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Inter-fund Activity – Inter-fund activity is reported as either loans, services provided reimbursements or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and its component units from the Statement of Net Assets:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Unrestricted:				
Cash and cash equivalents	\$ 6,683,799	\$3,926,596	\$1,274,995	\$11,885,390
Investments	18,816,253	-	-	18,816,253
Restricted:				
Cash and cash equivalents	3,874,948	-	-	3,874,948
Investments	-	-	-	-
TOTALS	<u>\$ 29,375,000</u>	<u>\$3,926,596</u>	<u>\$1,274,995</u>	<u>\$34,576,591</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State law does not require, and the County does not have, a deposit policy for custodial credit risk. The carrying amounts of the primary government, component unit and fiduciary fund's deposits with financial institutions were \$15,760,338 and the bank balance was \$22,682,365. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 3,291,376
Amount Uninsured	<u>19,390,989</u>
	<u>\$ 22,682,365</u>

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS AND INVESTMENTS - CONTINUED

Investments

As of December 31, 2009, the County had the following investments.

PRIMARY GOVERNMENT:	Fair Value	Less than 1	Investment Maturities (in years)		
			1-5	6-10	More than 10
Unrestricted:					
Federal Government Obligation Principal	\$18,816,253	\$10,434,979	\$7,105,570	\$1,146,842	\$128,862
TOTAL INVESTMENTS	<u>\$18,816,253</u>	<u>\$10,434,979</u>	<u>\$7,105,570</u>	<u>\$1,146,842</u>	<u>\$128,862</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the County's investments. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the County to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classification established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The County has no investment policy that would further limit its investment choices. Ratings are not required for the County's investment in U.S. Government Agencies or equity-type funds. The County's investments are in accordance with statutory authority.

Concentration of Credit Risk

The County places no limit on the amount the County may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE 3 – JOINT VENTURE COMMUNITY MENTAL HEALTH SERVICES

Pursuant to an amendment to the Mental Health Code, Public Act 290 of 1995, the Counties of Alger, Marquette, Delta, and Luce created a Community Mental Health Authority (Pathways) with powers and duties as defined in Section 205, MCL 330.1205. Under such provisions, Pathways became a separate legal entity from the counties as appointed by the respective counties. Pathways has full power to comply and carry out the financial and clinical provisions of the Mental Health Code. Summary financial information as of and for the fiscal year ended September 30, 2009, for the Board is as follows:

Assets	\$ 19,423,666
Liabilities	13,523,945
Total Fund Equity	5,899,721
Total Revenues	91,691,649
Total Expenditures	89,066,740
Net Increase (decrease) in Fund Equity	2,624,909

NOTE 4 - LONG-TERM DEBT

The following is a summary of long-term debt transactions during the period ended December 31, 2009, are summarized as follows:

	<u>December 31, 2008</u>	<u>Additions</u>	<u>Subtractions</u>	<u>December 31, 2009</u>
Discrete Component Units:				
Road Commission:				
MTF Bond	\$ 600,000	\$ -	\$ 200,000	\$ 400,000
EDC:				
Installment Note Payable #1	183,187	-	63,242	119,945
Installment Note Payable #2	356,229	-	7,838	348,391
Drainage Districts:				
Badger Creek Drain Installment Note	85,000	-	85,000	-
DPW:				
Marquette County Refunding Bonds (Limited Tax): Series 1998A	<u>1,460,000</u>	<u>-</u>	<u>340,000</u>	<u>1,120,000</u>
Total Discrete Component Units	<u>\$2,684,416</u>	<u>\$ -</u>	<u>\$ 696,080</u>	<u>\$ 1,988,336</u>
TOTAL LONG-TERM DEBT	<u>\$2,684,416</u>	<u>\$ -</u>	<u>\$ 696,080</u>	<u>\$ 1,988,336</u>

Annual maturities on the Long-Term Debt are as follows:

	<u>Primary Government</u>	<u>Business-Type Activities</u>	<u>Discrete Component Unit Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ -	\$ 960,978	\$ 86,877	\$ 1,047,855
2011	-	-	547,358	38,640	585,998
2012	-	-	230,000	16,425	246,425
2013	-	-	250,000	5,625	255,625
TOTAL	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,988,336</u>	<u>\$147,567</u>	<u>\$2,135,903</u>

NOTE 4 - LONG-TERM DEBT – CONTINUED

BOND

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2010	\$ 200,000	\$ 18,000	\$ 218,000
2011	<u>200,000</u>	<u>9,000</u>	<u>209,000</u>
TOTALS	<u>\$ 400,000</u>	<u>\$ 27,000</u>	<u>\$ 427,000</u>

On June 7, 2001, the Marquette County Road Commission issued \$2,000,000 Michigan Transportation Fund Revenue Note of 2001 (“Bond”) for the purpose of equipment purchases and other long-term debt payoff. The bond’s interest is due semi-annually on February 7 and August 7 at a rate of 4.0% with principal due August 7 each year.

EDC Installment Note Payable #1

<u>YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2010	\$ 5,805	\$ 67,616	\$ 73,421
2011	<u>1,402</u>	<u>52,329</u>	<u>53,731</u>
TOTALS	<u>\$ 7,207</u>	<u>\$ 119,945</u>	<u>\$ 127,152</u>

Installment Note #1 is through Northern Michigan Bank & Trust. The interest rate is 6.5% with monthly payments of \$6,116 through October 12, 2011.

EDC Installment Note Payable #2

<u>YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
2010	\$ 20,607	\$ 348,391	\$ 368,998
TOTALS	<u>\$ 20,607</u>	<u>\$ 348,391</u>	<u>\$ 368,998</u>

Installment Note #2 is through Northern Michigan Bank & Trust. The interest rate is 6.75% with monthly payments of \$3,714 through November 14, 2010.

SCHEDULE OF MARQUETTE COUNTY REFUNDING

BONDS (LIMITED TAX) SERIES 1998A

December 31, 2009

<u>YEAR</u>	<u>May 1</u>		<u>November 1</u>	
	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2010	\$25,028	\$ 345,000	\$17,438	\$ 387,466
2011	17,437	295,000	10,800	323,237
2012	10,800	230,000	5,625	246,425
2013	<u>5,625</u>	<u>250,000</u>	-	<u>255,625</u>
TOTALS	<u>\$58,890</u>	<u>\$1,120,000</u>	<u>\$33,863</u>	<u>\$1,212,753</u>

Marquette County Refunding (Limited Tax) Series 1998A issued for \$7,665,000 of which \$6,195,000 was part of the refunding. The refunding resulted in a net savings of \$234,543. The refunding bonds are dated July 1, 1998, mature annually as scheduled above and bear interest at a maximum of 6.0% per annum.

NOTE 5 – INTER-FUND TRANSFERS IN AND OUT

IN/OUT	General Fund	Health Department Funds	Maintenance of Effort Funds	Non-Major Governmental Funds	Proprietary Funds	Total Transfers In
General Fund	\$ -	\$ -	\$ -	\$1,277,159	\$585,000	\$1,862,159
Health Department Fund	184,227	-	-	-	-	184,227
Non-Major Governmental Funds	1,850,203	8,048	-	-	-	1,858,251
Proprietary Funds	-	-	300,000	-	43,000	343,000
Forestry Fund	-	-	-	12,190	-	12,190
Airport Fund	-	-	-	957,150	-	957,150
Total Transfers Out	<u>\$2,034,430</u>	<u>\$8,048</u>	<u>\$300,000</u>	<u>\$2,246,499</u>	<u>\$628,000</u>	<u>\$5,216,977</u>

NOTE 6 – CAPITAL ASSETS

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at December 31, <u>2008</u>	<u>Additions</u>	<u>Disposals</u>	Balance at December 31, <u>2009</u>
GOVERNMENTAL ACTIVITIES:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Land	<u>355,233</u>	<u>-</u>	<u>-</u>	<u>355,233</u>
Total Capital Assets, not being depreciated	<u>355,233</u>	<u>-</u>	<u>-</u>	<u>355,233</u>
Land Improvements	35,891	-	-	35,891
Buildings	10,913,349	365,255	-	11,278,604
Equipment	<u>3,799,283</u>	<u>318,133</u>	<u>460,235</u>	<u>3,657,181</u>
Total Capital Assets, being depreciated	<u>14,748,523</u>	<u>683,388</u>	<u>460,235</u>	<u>14,971,676</u>
Less Accumulated Depreciation:				
Land Improvements	(28,546)	(919)	-	(29,465)
Buildings	(8,416,083)	(219,751)	-	(8,635,834)
Equipment	<u>(2,652,283)</u>	<u>(427,462)</u>	<u>(417,613)</u>	<u>(2,662,132)</u>
Total Accumulated Depreciation	<u>(11,096,912)</u>	<u>(648,132)</u>	<u>(417,613)</u>	<u>(11,327,431)</u>
Government-Type Activities Capital Assets, Net	<u>\$ 4,006,844</u>	<u>\$ 35,256</u>	<u>\$ 42,622</u>	<u>\$ 3,999,478</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of primary government:

Governmental:	
Courts	\$ 7,651
Management	147,010
Law Enforcement	340,373
Human Services	17,129
Resource Management	8,134
Other	<u>127,835</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 648,132</u>

NOTE 6 – CAPITAL ASSETS – CONTINUED

A summary of changes in business-type activities capital assets is as follows:

	Balance at December 31, <u>2008</u>	<u>Additions</u>	<u>Disposals</u>	Balance at December 31, <u>2009</u>
BUSINESS-TYPE ACTIVITIES:				
Construction in progress	\$ 253,798	\$2,434,710	\$2,271,550	\$ 416,958
Land	<u>15,270,486</u>	-	-	<u>15,270,486</u>
Total Capital Assets, not being depreciated	<u>15,524,284</u>	<u>2,434,710</u>	<u>2,271,550</u>	<u>15,687,444</u>
Land improvements	13,288,463	127,381	-	13,415,844
Buildings	45,503,138	1,288,813	-	46,791,951
Utility Systems	2,553,917	16,900	-	2,570,817
Equipment	<u>3,411,315</u>	<u>1,095,533</u>	-	<u>4,506,848</u>
Total Capital Assets, being depreciated	<u>64,756,833</u>	<u>2,528,627</u>	-	<u>67,285,460</u>
Less Accumulated Depreciation:				
Land Improvements	(3,208,480)	(356,875)	-	(3,565,355)
Buildings	(10,710,481)	(1,240,534)	-	(11,951,015)
Utility Systems	(525,073)	(127,695)	-	(652,768)
Equipment	<u>(2,523,756)</u>	<u>(304,823)</u>	-	<u>(2,828,579)</u>
Total Accumulated Depreciation	<u>(16,967,790)</u>	<u>(2,029,927)</u>	-	<u>(18,997,717)</u>
Business-Type Activities Capital Assets, Net	<u>\$63,313,327</u>	<u>\$2,933,410</u>	<u>\$2,271,550</u>	<u>\$63,975,187</u>

Depreciation expense for the business-type activities was charged to the following funds of primary government:

Business-Type Activities:	
Medical Care Facility	\$ 348,775
Airport	1,253,232
Forestry	16,679
Sewer	276,827
Water	134,414
Total Depreciation Expense – Business-Type Activities	<u>\$2,029,927</u>

NOTE 6 – CAPITAL ASSETS – CONTINUED

A summary of component units' capital assets is as follows:

	<u>Road Commission</u>	<u>Total Component Units</u>
COMPONENT UNITS:		
Capital Assets Not Being Depreciated:		
Land	\$ 270,813	\$ 270,813
Land Improvements - Infrastructure	23,340,267	23,340,267
Construction in Progress	<u>2,812,712</u>	<u>2,812,712</u>
Subtotal	<u>26,423,792</u>	<u>26,423,792</u>
Capital Assets Being Depreciated:		
Depletable Assets	\$ 161,686	\$ 161,686
Buildings	2,211,373	2,211,373
Road Equipment	11,831,457	11,831,457
Shop Equipment	149,810	149,810
Office Equipment	202,909	202,909
Engineers' Equipment	75,417	75,417
Yard and Storage	697,361	697,361
Vehicles	36,975	36,975
Infrastructure - Bridges	8,329,030	8,329,030
Infrastructure - Roads	<u>37,807,803</u>	<u>37,807,803</u>
Subtotal	<u>61,503,821</u>	<u>61,503,821</u>
Less Accumulated Depreciation:		
Depletable Assets	(161,686)	(161,686)
Buildings	(1,355,647)	(1,355,647)
Road Equipment	(10,591,973)	(10,591,973)
Shop Equipment	(135,271)	(135,271)
Office Equipment	(197,039)	(197,039)
Engineers' Equipment	(70,335)	(70,335)
Yard and Storage	(340,493)	(340,493)
Vehicles	(36,975)	(36,975)
Infrastructure - Bridges	(1,793,473)	(1,793,473)
Infrastructure - Roads	<u>(16,256,293)</u>	<u>(16,256,293)</u>
Subtotal	<u>(30,939,185)</u>	<u>(30,939,185)</u>
Net Capital Assets Being Depreciated	<u>30,564,636</u>	<u>30,564,636</u>
Total Net Capital Assets	<u>\$ 56,988,428</u>	<u>\$ 56,988,428</u>

Depreciation expense for the component units was charged to the following funds:

Component Units:	
Road Commission	<u>\$ 2,269,778</u>
Total Depreciation Expense – Component Units	<u>\$ 2,269,778</u>

NOTE 7 – DEFERRED REVENUES

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not made met.

1. The County as deferred revenue related to the property tax levied December 1, 2009, to be recorded as revenue in the subsequent year when the proceeds of the levy are budgeted and made available for financing of County operations. The Deferred Revenue Related to this is as follows:

General Fund	\$3,723,813
Maintenance of Effort Fund	\$ 983,921
Central Dispatch Fund	\$ 902,082
Rescue Safety Fund	\$ 277,687
Aging Services Fund	\$ 823,640

2. The Community and Economic Development Fund have reported \$2,592,744, which represents Community Development Block Grant loans to various individuals in accordance with the County housing rehabilitation projects. Terms vary with respect to repayment of these loans. Proceeds from repayments on these loans will be used for future County economic and community development.
3. The Airport Fund has reported \$24,167, which represents rental income received in December 2009 for January 2010.
4. The Medical Care Facility Fund has reported no Proportionate Share Reimbursement Program monies from the State of Michigan.
5. The County Road Commission Fund has reported \$250,000, which represents Forest Road Monies that have been paid, but not yet expended.

NOTE 8 – PENSION PLAN – DEFINED BENEFIT

DEFINED BENEFIT PENSION PLAN – COUNTY

Plan Description - The County contributes to the Municipal Employees Retirement System of Michigan (System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI. 48917-9755.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining units, and requires a contribution from the employees of 2-3 % of gross wages.

Annual Pension Cost - For year ended December 31, 2008, the County's annual pension cost of \$2,884,212 for the plan was equal to the County's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry actual age cost method. Significant actuarial assumptions used include: (a) an 8.0 investment rate of return; and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 20 years.

NOTE 8 – PENSION PLAN – DEFINED BENEFIT - CONTINUED

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Annual Pension Cost	\$ 2,884,212	\$ 2,617,236	\$ 2,555,436
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	51,707,133	50,035,280	46,346,569
Actuarial Accrued Liability (AAL)	75,416,330	70,238,700	66,294,228
Unfunded AAL	23,709,197	20,203,420	19,947,659
Funded Ratio	69%	71%	70%
Covered Payroll	11,017,917	11,357,337	11,359,064
UAAL as a Percentage of Covered Payroll	215%	178%	176%

DEFINED BENEFIT PENSION PLAN – COUNTY ROAD COMMISSION

Plan Description - The County Road Commission contributes to the Municipal Employees Retirement System of Michigan (System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917-9755.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining units, and requires a contribution from the employees of 1.51 – 2.12% of gross wages.

Annual Pension Cost - During the calendar year ended December 31, 2008, the County Road Commission's annual pension cost of \$992,345 for the plan was equal to the County's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry actual age cost method. Significant actuarial assumptions used include: (a) an 8.0 investment rate of return; and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 28 years.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Annual Pension Cost	\$ 992,345	\$ 740,778	\$ 765,489
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	11,273,705	10,965,241	10,361,813
Actuarial Accrued Liability (AAL)	22,498,915	21,100,441	20,058,082
Unfunded AAL (UAAL)	11,225,210	10,135,200	9,696,269
Funded Ratio	50%	52%	52%
Covered Payroll	2,354,264	2,435,205	2,614,929
UAAL as a Percentage of Covered Payroll	477%	416%	371%

NOTE 9 – DEFINED CONTRIBUTION PENSION PLAN

The County also provides pension benefits to its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The County established the plans in the form of the ICMA Retirement Corporation Governmental Money Purchase Plan and Trust, as amended by and as authorized by Section 19A of the Municipal Employee's Retirement System of Michigan Plan Document. The ICMA Retirement Corporation is the Plan Administrator. The County's total pension expense for this plan for this current fiscal year was \$490,603.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS - COUNTY

The County administers a single-employer defined benefit health care plan (The Retiree Health Plan). The plan provides health insurance premiums for retirees until age 65 (Medicare eligible), at which time they receive supplemental coverage. Benefit provisions are established through negotiations between the County and bargaining units and employee groups. The retiree's share of premium costs range from 0% to 100%, depending on the employee group, date of hire, and length of service. All contracts with the County's union employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employer and employee) for unclassified employees are established by county policy and can only be amended by the County Board of Commissioners. The Retiree Health Plan does not issue a publicly available financial report and a legal trust has not yet been established for the plan.

The County's contribution is based on pay-as-you-go financing requirements. For the current year, contributions were \$1,999,510. Current year contributions did not equal the current year's annual required contribution (ARC).

The County's annual other post employment benefit (OPEB) cost (expense) is equal to the ARC, an amount actuarially determined in accordance with parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The first actuarial valuation of the Retiree Health Plan was performed as of December 31, 2006, with the requirements of GASB Statement #45 being implemented prospectively. Fiscal year 2008 is the first year for which an actuarially required contribution (ARC) has been determined. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's OPEB obligation to the plan. The county is studying the establishment of a trust to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

Annual required OPEB contribution	\$4,865,272
Interest on net OPEB obligation	-
Adjustment to annual required contributions	-
	<u>4,865,272</u>
Estimated contributions made by the County of Marquette	1,999,510
Increase in net OPEB obligation	2,865,762
OPEB obligation – Beginning of Year	<u>-</u>
OPEB obligation – End of Year	<u>\$2,865,762</u>

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS – COUNTY – CONTINUED

Three-Year Trend Information*

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
12/31/08	\$4,655,763	38%	\$2,885,594
12/31/09	\$4,865,272	41%	\$2,865,762

Schedule of Funding Process *

Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio Total
12/31/06	\$0	\$74,999,443	74,999,443	0

*In future years, three-year trend information will be presented. Fiscal year 2008 was the year of implementation of GASB Statement Number 45, and the County elected to implement prospectively; therefore, prior year comparative data is not available.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

The number of participants as of December 31, 2006, the effective date of the biannual OPEB valuation, included 233 active employees and 146 retirees. There have been no significant changes in the number covered or the type of coverage since that date. In the December 31, 2006, actuarial valuation, the liabilities were computed using the Entry Age Normal actuarial cost method. The assumptions utilized a 5% investment rate of return. Because the plan is unfunded, reference to the general assets, which are short term in nature (such as money market funds) was considered in the selection of the 5% rate. The valuation assumes an 18.5% healthcare cost trend increase for fiscal year 2008, reduced by decrements to an ultimate rate of 4.5% after eight years. Both rates include a 4% inflation assumption. The Unfunded Actuarial Liability (UAAL) is being amortized over 30 years.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS – ROAD COMMISSION

The Marquette County Road Commission provides post-employment health care insurance benefits to certain retired union and administrative employees and/or their spouse in accordance with the following provisions:

The hospital and medical coverage benefits are provided in accordance with Article 36 (3) in the union agreement, which states: For employees retiring at or after age fifty-five (55) with at least fifteen (15) years of service, because of age, are not eligible for Medicare coverage, the employer will pay the premium from age sixty (60) necessary for such hospital and medical coverage, including the master medical rider, up to the cost for two (2) party coverage (employee and spouse). For retired employees whose age permits them to be eligible for Medicare coverage, the employer will pay the premium for hospital and medical care coverage only in the amount which is necessary to augment Medicare coverage for the retired employee and their spouse; to the extent permitted by the insurance carrier, employees may elect continuation of the Master Medical rider at their own expense.

The Road Commission has no obligation to make contributions in advance of when insurance premiums are due for payment (in other words, this may be financed on a pay-as-you-go basis). However, as shown below, the Road Commission has made contributions to advance-fund these benefits, as determined by the Board of Road Commissioners through annual budget resolutions.

For the year ended September 30, 2009, the Road Commission has estimated the cost of providing retiree health care benefits through an actuarial valuation as of December 31, 2006. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. These valuations computed contribution and actual funding are summarized as follows:

Annual required contribution/Annual OPEB cost	\$ 674,964
Amounts contributed:	
Payments of current premiums	<u>(388,787)</u>
Increase (Decrease) in net OPEB obligation	\$ 286,177
OPEB obligation – Beginning of year	<u>(168,851)</u>
OPEB obligation – End of year	<u>\$ 117,326</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2009, were as follows:

Annual OPEB costs	\$674,964
Percentage contributed	57.62%
Net OPEB obligation	\$117,326

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTE 10 – OTHER POST EMPLOYMENT BENEFITS – ROAD COMMISSION - CONTINUED

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2006, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an 8.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual increase in salary between 4.8 percent and 12.9 percent. The assumptions also include expected increases in healthcare costs between 4.5 percent and 10.0 percent. All rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period.

NOTE 11 – DEFERRED COMPENSATION PLAN

The County of Marquette and its Component Unit's offers its employees deferred compensation plans in accordance with the Internal Revenue Code, Section 457. The plans are available to all county employees and permit them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable future.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and no longer subject to the County's general creditors. Therefore, in accordance with the provisions of GASB Statement No. 32, the Plan balances and activities are not reflected in these financial statements.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the County has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

The County's plans are administered by International City Management Association (ICMA), Nationwide, and F. T. Jones. The plan administrators, agree to hold harmless and indemnify the Board, its appointed and elected officers and participating employees from any loss resulting from their failure to perform their duties and services pursuant to the programs.

NOTE 12 - VESTED EMPLOYEE BENEFITS

The County accrues the liability for earned sick leave based on the vesting method. The liability is accrued as the benefits are earned if it is probable that the County will compensate the employees conditioned upon retirement, death, or termination of employment. Employees earn annual vacation, sick, and combined leave at a rate of a certain number of days per year based on the number of years of service up to a maximum number of accumulated days. Annual vacation, sick, and combined leave days are based on various Labor Union Contract terms and administrative policies of the primary government.

NOTE 13 – BUDGET VIOLATIONS

Public Act 621 of 1978, Section 18(1), as amended, provides that a County shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County’s actual expenditures and budgeted expenditures have been shown on an activity and/or program level.

The following funds/departments had excess expenditures over appropriations at December 31, 2009.

<u>Fund/Line Item</u>	<u>Final Amended Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Special Revenue Funds:			
PA 511 Community Corrections	\$105,928	\$106,803	\$(875)

The audit period spans two separate fiscal budget years for these grant-funded programs. Expenditures are in compliance with the separate grant budgets.

NOTE 14 – CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the county at December 31, 2009.

Risk Management - The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has obtained commercial insurance to handle its risk of loss.

Cost Settlement - Medical Care Facility services rendered to various insurance program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a client classification system that is based on clinical, diagnostic, and other factors. Certain health services and defined capital costs are paid based on a cost reimbursement methodology. The facility reports such activity through the submission of its annual cost reports which are subject to audit by the fiscal intermediary. The facility’s classification of clients under the program and the appropriateness of their admission are subject to an independent review by a peer review organization.

Cost-Based Reimbursement from Medicaid with the State - The Federal Government has audited the state’s Medicaid reimbursement methodology and has indicated that the state/local health departments have been reimbursed too much under Medicaid. It has calculated estimates of the potential repayment due from each health department. Marquette County Health Department’s overpayment is approximately \$286,000. This analysis was based on estimates, not on actual cost report data for the years 2004, 2005, and 2006.

NOTE 15 – RESERVED, DESIGNATED AND RESTRICTED FUND EQUITY

Fund balances in the various funds of the primary government and its component units have been reserved, designated or restricted for the following purposes:

General Fund	
Designated for Vehicle Replacement	\$ 7,851
Designated for Family Counseling	27,327
Designated for Risk Control	30,397
Designated for Orthophoto Upgrade	7,757
TOTAL	<u>\$ 73,332</u>

NOTE 15 – RESERVED, DESIGNATED AND RESTRICTED FUND EQUITY - CONTINUED

Special Revenue Funds		
Public Improvement		
Designated for projects	\$	576,599
Victim Restitution		
Designated for Probation Oversight		4,959
Rescue Safety		
Designated for Equipment		1,750
Designated for Unit 131		87,308
Central Dispatch		
Designated for Training		4,268
Designated for PSAP Operations		774,906
TOTAL	\$	<u>1,449,790</u>
Enterprise Funds		
Airport		
Designated for Capital Improvements	\$	719,478
Designated for Wall of Honor		309
Forest Recreation		
Designated for Little Trout Lake		12,190
Designated for Capital Projects		72,223
TOTAL	\$	<u>804,200</u>
Internal Service Fund		
Insurance		
Designated for Health Insurance	\$	<u>156,000</u>
Component Units		
County Road		
Designated for County Road Commission Operations	\$	4,144,457
E.D.C.		
Designated for E.D.C. Operations		1,282,471
TOTAL	\$	<u>5,426,928</u>

NOTE 16 – PROPERTY TAXES

The Local Governmental Unit property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st.

Although the Local Governmental Unit 2008 ad valorem tax is levied and collectible on December 1, 2008, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the following year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period sixty (60) days.

The 2009 taxable valuation of the Local Governmental Unit totaled \$1,791,376,130, on which ad valorem taxes levied consisted of 5.2965 mills for the County operating purposes, .4379 mills for Aging Services, .4865 mills for Central Dispatch, .1492 mills for Rescue Safety, .5261 mills for Standardization, and .5738 mills for Countywide transit.

NOTE 17 – DEFICIT CASH AND INVESTMENT BALANCES

At December 31, 2009, the following funds had a material cash and investment deficit:

<u>Fund</u>	<u>Deficit Cash/ Investment Balance</u>
Special Revenue Funds	
Community Development	\$192,640
PA 511	3,452
Probate Child Care	67,584
	<u>\$263,676</u>
Component Units	
DPW Debt	<u>\$ 15,563</u>

NOTE 18 – PRIOR PERIOD ADJUSTMENTS

The Marquette County Road Commission recorded a prior period adjustment of \$919,001 related to investment in infrastructure.

The Economic Development Corporation of the County of Marquette recorded loan balance adjustments of \$21,011.